

Dear Planning Commission Member  
Maribeth Counard

Jan 19, 2014

The time is coming when Walmart will again meet with citizens to tell us what we need in Green Bay, what good neighbors they are, and how much their tax dollars will help us out. The truth is that Walmart is a very bad neighbor.

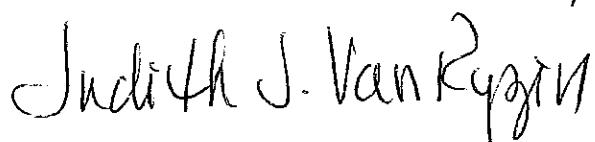
I want to share with you a couple of items I recently discovered about just how untrue all their propaganda is. Walmart will take tax dollars away from our community.

Walmart's 300 workers in a super-center will cost our community from \$700,000 to \$900,000 per year in food stamps, housing assistance, heating subsidies, and Medicaid (Badger Care). In addition, Walmart will use every possible tactic to get us to use our public tax dollars, to support them.

With your help, Mayor Schmitt has done wonders with the downtown area on the East side of the river, and with your continuing help, he can do the same for the West side of the river. Let's give him a chance to develop a beautiful downtown on both sides of the river. Let's keep Walmart Out.

Please vote NO to Walmart. And please do it soon. So we can move on as a City.

We don't need Walmart in Green Bay.



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~From a publication by Walmart Watch, a campaign of the Center for Community and Corporate Ethics, a non-profit organization studying the impact of large corporations on society. 2005.

Here is the conclusion of their 24 page report, which you can find quickly online at Walmart Watch.

***The end result of Walmart's mid-90's restructuring promoted by Ernst & Young is that Walmart has cost states millions of dollars in revenue by paying rent to itself, and then deducting that rent from its state tax bills.***

***Walmart should pay its fair share of the tax dollars that support public schools, police and fire departments, and the public highways used to transport its merchandise from distribution centers to its stores across the country.***

***The company must be stopped from shifting its burden onto small businesses and individual taxpayers simply because it has the resources and the expensive tax advisors who have instructed them in how to do so.***

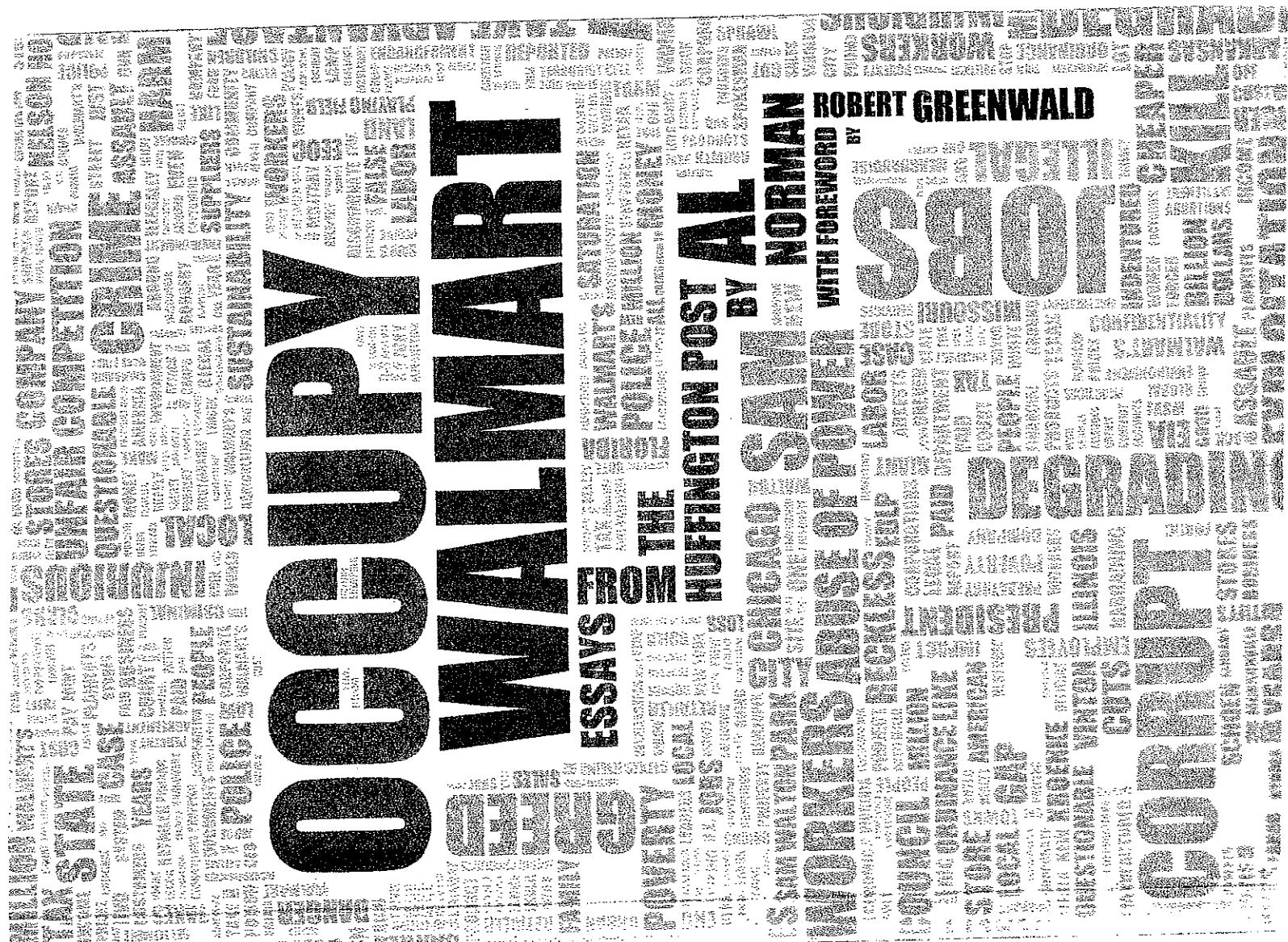
***Over time, Walmart has pursued and utilized new tax avoidance strategies as states more aggressively take the company to task for its current ones. One can only imagine the multitude of tax avoidance strategies still being used, not yet uncovered by state revenue departments or the media.***

***The current state of the economy and budget crises in states around the country provide an incentive for states to close these corporate tax loopholes, examining Walmart's tax strategies in their respective states and ensure Walmart pays its fair share of taxes.***

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# CHARTERED BY TAX SHELTER TO TAX ROOM

**ACCORDING TO A** *Wall Street Journal* article in 2007, Walmart began a search in 2001 for help in reducing its taxes. The company "issued an appeal to big accounting firms: Find us creative new ways to cut our state tax bills."

The *Journal* said the accounting firm of Ernst & Young came up with as many as 27 creative suggestions for how the giant retailer could dodge its tax bills. Some of these tax strategy meetings reportedly took place in what Ernst & Young called the "Tax Shelter Room" at Walmart's headquarters in Bentonville.

The *Wall Street Journal* found out about this "tax-minimization project" only because the attorney general's office in North Carolina sued Walmart for state income taxes the corporation had done its best to avoid.

When Walmart put out the word that it wanted more tax shelters, it bragged about its tax avoidance track record: "On average, Walmart has paid taxes at a rate equal to about half of the average statutory state rate over the past decade."

In North Carolina, Walmart is doing its level best to get out of paying state income taxes and local property taxes by creating a maze of incorporate subsidiaries and "intangible holding companies" in which to hide profits from the tax man.

If, as U.S. Supreme Court Justice Hugo Black is quoted as saying, "The United States has a system of taxation by confession," then Walmart is the x sinner that has never been to confession.

In January 2012, Walmart announced that it would be offering customers at three thousand Walmart locations free income tax preparation services if they qualify to file a Form 1040EZ. "We believe Americans wouldn't have to pay exorbitant prices on their everyday financial needs," Walmart spokesman explained. Walmart itself was using tax experts to find creative ways to circumvent paying federal and state taxes.

Several months ago, a poll of New Yorkers showed overwhelming support for the "tax the rich" mantra of the Occupy movement. I suspect that had the pollsters asked if billionaire corporations should also be taxed more, the favorable response would have been even higher.

## Walmart: America's Tax Deadbeat

OCTOBER 13, 2007

Local officials who welcome Walmart to town love to praise the taxes, but the giant retailer hates to pay the taxes. In fact, Walmart's corporate mantra appears to be "low, everyday taxes—always."

A report released this week by the non-profit group Good Jobs First concludes that Walmart methodically works to lower its taxes by challenging the assessed value of its stores and distribution centers. Just as the company has become legendary for shaking down its vendors, so the retailer shakes down cities and towns for tax rebates.

The nonpartisan research center in Washington, D.C. documented in an earlier study how Walmart has benefited from billions of dollars in public subsidies to build its stores and site infrastructure. Their new analysis, "Rolling Back Property Tax Payments," charges that although the financial take is not as large as its public welfare subsidies, Walmart "drains vitally needed funds from communities by regularly challenging the valuation put on its properties by public officials." According to Philip Martera, research director of Good Jobs First, "when the company succeeds in one of these challenges, it diminishes the funds available to pay for education, police and fire protection, and other essential services provided by local governments."

Good Jobs First reviewed a national sample of Walmart stores and all of its distribution centers open as of the beginning of 2005. Walmart has filed assessment challenges at more than one-third of its facilities around the country. At many facilities there have been appeals in multiple years. Overall, Good Jobs First estimates that Walmart filed more than 2,100 property tax challenges nationwide. "These systematic property tax challenges are part of a larger pattern of state and local tax avoidance by Walmart," Martera explained.

Property assessment disputes pit Walmart's legal team against local assessors. Such battles are an intimidating financial club wielded by Walmart to lower its cost of doing business. If local assessors balk at giving relief, Walmart just takes their case to a state appellate board, tying up local staff and resources.

Although Walmart's overall tax abatement campaign has drawn mixed results, the company has won big tax cuts in some towns. In 2004, Walmart's distribution center in Tomah, Wisconsin was lowered from \$43.6 million to \$31.4 million, and the company clawed back \$300,000 for each of three years—a total of \$949,000.

Back in 1999, Walmart dragged the small town of Wilton, New York to court over its property tax bill. Walmart disputed its property valuation in Wilton for four years and ultimately sued the town in the New York Supreme Court. Walmart wanted Wilton to slash its discount store assessment from the \$7.5 million in valuation to \$3 million—a 60 percent tax reduction. The taxpayers of Wilton had to hire a special attorney to argue the case and spend \$2,250 in tax dollars to have a special appraisal done. Because of the expense of defending itself against the Walmart litigation, the town had to call on the school district in Saratoga Springs and Saratoga County to come up with the cash to defend against Walmart because the county and the school district stood to lose revenue if Walmart's property taxes were slashed. That same year, Walmart bragged that it paid \$28 million in local and state taxes in New York.

In 2006, the company picked the same fight with Geneva, New York. Walmart sued to get its assessment more than halved—from \$4.8 million to less than \$2.3 million. Walmart charged that their store's assessment was too high because property in the town was assessed at 65 percent of full value. Walmart eventually dropped the lawsuit, saying “the town has been working well with Walmart on the supercenter ... It was a business and policy judgment, in view of the high degree of cooperation. Even though we still object to the store's assessment, we'd rather go forward with what's being done on the supercenter.” A local citizens' group fighting the Geneva superstore questioned the timing of the retailer's lawsuit because it was filed only five weeks after the chain announced its supercenter expansion plans and just as the permit process was beginning. The lawsuit put pressure on the town to act favorably on the superstore. The citizen's group charged that Walmart used the lawsuit as “a bargaining chip” to get its supercenter built. The town's supervisor acknowledged that Walmart had unsuccessfully tried

to lower its assessment for years and that Walmart had filed similar lawsuits against municipalities across New York. The town assessor in Seneca Falls, New York said that Walmart files lawsuits against municipalities where supercenter projects are pending and they have existing stores on the real estate market. It's easier to sell an existing store if it has a lower assessment, she said. Walmart's lawyer admitted his company had been “very successful” in getting cities and towns to lower their assessments.

In small town after small town, Walmart has picked the same tax fight. In places like Coolbaugh, Pennsylvania, or Saukville, Wisconsin, Walmart promises a tax revenue bonanza, but as soon as it gets in, it tries to nickel-and-dime their taxes down. In Coolbaugh, Walmart challenged the assessment on its 208-acre site for a large distribution center. The county commissioners in Monroe County, along with Coolbaugh officials and the Pocono Mountain School District, had to raise \$6,000 just to hire an appraiser to review the site's value.

In Saukville, Walmart attempted to lower its store assessment by \$1 million. According to the editor of the Ozaukee Press, the abatement would lower Walmart's tax bill by \$21,306. The tax cut would have stripped \$11,469 from the Port Washington-Saukville School District—an amount, said the newspaper, “that far exceeds the value of the store's well-publicized Teacher of the Year award.” The editor of the county newspaper wrote a column criticizing Walmart's move. “Never mind the fact that the value of almost every property—commercial, industrial and residential—went up this year as a result of a village-wide reassessment; the corporation doesn't want to pay what the village says is its fair share of taxes.” The editor added, “No matter how hard the store tries to give the impression that it is a concerned member of the business community, the truth is it is part of a chain whose interest in Saukville is, at best, fleeting, and over which the village has little influence.”

The Good Jobs First study demonstrates once again that taxes are just another business expense for Walmart to try to force down any way possible. In this case, the losers are the very same officials that opened their arms to the retailer.

When this tax dodge study came out, instead of assailing the message, Walmart went after the messenger. Study author Phil Mattera told me that Walmart initially did not know how to respond to the Good Jobs First study. "When contacted by the *New York Times*, which ran the first story on the report, the company was not willing to comment," Mattera said. "Then they reverted to their common practice of union baiting. When reporters contacted Walmart, their public relations people apparently thought that calling Good Jobs First a labor-supported group would discredit our findings. Actually, since our funding, we have received less than five percent of our funding from unions—and most of that has been for consulting work, not donations. Nearly all our money comes from foundations."

Mattera says that Walmart claims it evaluates each tax assessment on its own merits. "But it is hard to believe that assessors have made serious errors at more than one-third of all of Walmart's facilities," he notes. "As for the results themselves, what we have been trying to get people to focus on is Walmart's hypocrisy. When the company is trying to get into a community, it makes great claims about economic benefits. Yet when they later look for assessment reductions, they have to argue in effect that property values have declined."

A colleague of mine says that all major corporations try to push down their property tax costs. "I sit on a tax board of review in small town," he writes. "The Walmart landlord came in last year to appeal their assessment. Long story short: he is 'connected' to a local family of businessmen who presented us with an appeal 'we can't refuse.' Walmart never stepped foot inside that meeting. They came in without an appointment and walked out as the only business to get their assessment lowered. They presented no evidence other than they just wanted to have it lowered. It came down to my vote to break the tie. I voted for it because the assessor recommended we do so. It came down to a matter of \$20,000 of tax breaks a year for Walmart. It would cost \$20,000 of village funds to fight them in an appeal. We all knew that voting no could mean a world of hurt for us personally. It makes it so someone doesn't even want to serve on these boards."

"This coming year, as many as several hundred communities will

receive such a visit from Walmart's lawyers regarding tax abatement. But enthusiasm for Walmart at the local level continues unabated. Four weeks ago, when Walmart opened up its new supercenter in the small southern Oregon community of Eagle Point, mayor Leon Sherman was front and center at the ribbon cutting. "We've been working for three or four years to get this supercenter," the mayor said, "and we're really happy that they're here. Not only will the store bring extra jobs, but it will also provide an additional tax base for the city as well as the school district."

Mayor Sherman is in for a big, supercenter surprise.

## POSTSCRIPT

*In March 2011, the Jefferson County, Ohio Tax Incentive Review Council convened to make its annual recommendations on "tax forgiveness" for the Walmart distribution center in Steubenville, Ohio. This tax abatement allows Walmart to avoid paying property taxes. The Walmart distribution center subsidy, which has been in place since 2001, allows the company to escape 60 percent of real property taxes. The welfare deal is slated to expire in 2012. To show that this subsidy was worthwhile, Walmart reported that the distribution center employed 747 people as of January 1, 2011. The original abatement deal required Walmart to employ an average of 600 employees, but county officials said that at one time there were more than 1,000 jobs at the warehouse. Just in 2010, Walmart was able to duck \$278,151 in property taxes. The company paid \$203,956. The money that Walmart didn't pay would have gone to local school districts and townships. In the competition of schools vs. Walmart, the retailer won. This reality was not lost on the local school superintendent, who said his schools have to weigh the economic benefits of the Walmart warehouse against the revenue his schools are losing at a time when*

*they are struggling to pay for education. “It’s a double-edged sword,” the superintendent told the *West Virginia Daily Times*. “The district needs money, but I’m sympathetic to the economy and we need jobs. I’m sure there will be many conversations prior to the recommendation, whether that would be granted or not. I’m looking in the best interest of the school district, but I’m also trying to see the whole big picture, too. I am hoping they are willing to work with us. I surely don’t want to deter them from staying here, but we took a brutal cut.” If county officials looked at Walmart’s annual report, they might wonder why such a large, wealthy corporation had to turn to county taxpayers for corporate welfare in the first place. The Steubenville distribution center could have been built without public funding. Walmart has the financial wherewithal to build its distribution network without public subsidies, but if local officials are foolish enough to offer welfare, Walmart is smart enough to take it. The school districts—and the families they represent—are beginning to realize they have been scammed.*

## Court Says No to \$33 Million Tax Rebate for Walmart May 19, 2009

North Carolina’s textile industry has been economically undone by Walmart’s China First procurement policy. As if those employment losses weren’t bad enough, the state has also been engaged in a multi-year legal battle to get the giant retailer to pay its fair share of state income taxes.

Two years ago, the *Wall Street Journal* ran a story revealing that Walmart pays billions of dollars a year in rent for its stores, but in 25 states—most of them east of the Mississippi—it has been paying most of that rent to itself and deducting that amount from its state taxes. This scheme has allowed Walmart to avoid paying several hundred million dollars in state taxes.

Based on a dodge developed by its accounting firm, Ernst & Young, as a “local tax reduction strategy,” Walmart’s financial self-dealing has allowed it to pay rent to itself through a maze of eight corporate subsidiaries created in 1996, including real estate investment trusts (REITs). Under the agreement with itself, Walmart pays 2.5 percent of gross sales monthly as rent to its own REIT, which then wires the money quarterly to Walmart Property Company in the form of a dividend, which is then paid to Walmart Stores as a tax-exempt “dividends received.” All of these transactions are handled through a “cash management agreement” between all the parties. Neither the REIT nor the property company has any employees.

The REITs don’t pay taxes as long as they pay 90 percent of their income out in dividends to shareholders. In Walmart’s case, the REITs are owned by Walmart subsidiaries registered in Delaware, a state that has no corporate income tax. Walmart gets the benefit of the rent expense, but also gets the benefit of the non-taxed dividend on the same monies. The dividends escape taxation and the original rent that created the dividends is deducted from taxable income in the states where the “expense” is incurred. The rent, in essence, goes from one Walmart pocket into another.

The state of North Carolina challenged this tax work-around

transport its merchandise across Wisconsin. Revenue officials said Walmart was shifting its tax burden "to individuals and small businesses who are unable to set up such elaborate mechanisms." Walmart told the media it had done nothing wrong. "Anything Walmart can do to lawfully lower its costs allows the company to pass it along through lower prices. This is a lawful (tax) structure in Wisconsin." When Wisconsin governor Scott Walker sought to dismantle collective bargaining rights for unionized municipal workers in the winter of 2011, his critics wryly noted that part of the reason the state of Wisconsin was in dire straits financially was because the state has given away millions in revenues to big corporations like Walmart.